

EXPANDABLE GOVERNMENT

How a large, fluid and incoherent central administration avoids taking policy decisions

This article argues that there is more than natural organizational empire-building in the permanent drive towards expansion of the central bureaucracy in Romania. This is just a symptom of a more profound institutional illness, characterized by: organizational instability and incoherence; strong tendency to increase bureaucracy in order to accommodate various interest and resolve turf wars; weak decision-making process, unable to analyze, formulate and integrate policies; and inability of the domestic policy community to discern trends, explain them to the public and the media, and identify the sources of negative developments when they occur. These weaknesses have been present in the Romanian institutional setting for a long time. They explain in good measure the poor performance of the country in the EU accession process, the protracted reforms, and verify the century-old drive to borrow Western institutional frameworks (most recently, the *acquis communautaire*) just as a cover for the traditional way of doing things.

As the current Romanian government led by Adrian Nastase took office after the November 2000 elections, the old issue of instability and proliferation of central agencies was again put under the spotlight by journalists and analysts, both Romanian and foreign. The opposition and the commentators blamed the new Prime Minister for the growth of bureaucracy directly controlled by the parliamentary majority. Nastase replied that there is nothing new here and that the largest post-Communist cabinet was not his, but that of the former PM Ciorbea (see Fig.1). Moreover, he pointed out that the increased number of ministries is compensated by a reduction in the number of independent agencies directly subordinated to the Prime Minister's office – some of which became new ministries, while others were incorporated in the existing ministries. His argument is only partly correct: the agencies promoted as ministries expanded again their staff and budget, in an attempt to recuperate the status they had before the former premier Isărescu cut them down (we have already seen this happening); while some ministries are absolutely new.

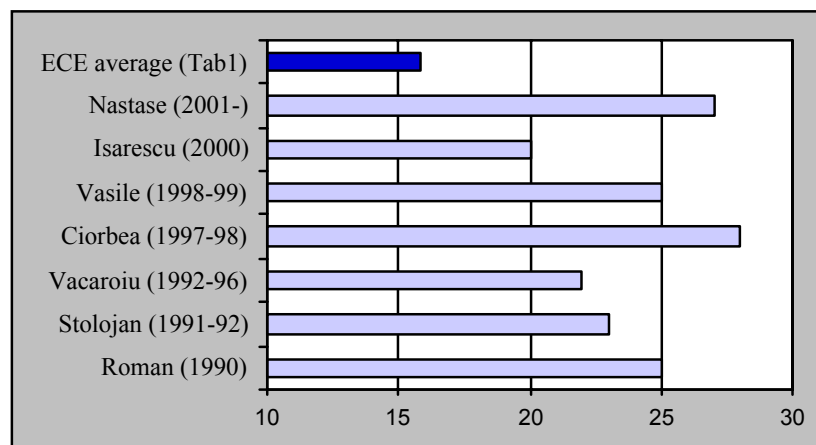


Fig. 1. The number of portfolios in the Romanian cabinets after '89

This article argues that there is more than meets the eye in the most recent expansion of the central bureaucracy in Romania. This is just the last symptom of a more profound institutional illness rooted in: organizational instability and incoherence; an unusually strong tendency to expand bureaucracy in order to accommodate various interest and resolve turf wars; and an inability of the domestic public policy analysts to identify structural tendencies, explain them to the public and the media, and name and shame the sources of such negative developments. These weaknesses have been present in the Romanian institutional setting for a long time and our main point here is that they explain in good measure the poor performance of our country in the EU accession process and the delay of reforms. Placing Romania in comparative perspective, using the other CEE states as a benchmark, given one an idea of the structural governance problems we face today. The fragmentation and fluidity of administrative establishment impact in turn on the profile of the civil service and the quality of the decision-making process.

What we compare and why

Institutions can mean all things to all people. The new institutionalist school operates with a broad definition to the term – as rules of the game that govern interactions in society, whether they are formal or informal. Other scholars go as far as incorporating shared values and psychological predispositions in the institutional framework. For the purpose of this analysis, however, we narrowed down the concept to those formal arrangements embodied in laws and organizations, the only ones that can be directly altered by intervention through public policy. More specifically, we refer here to the fundamental design of the central government structure and the assignment of functions among public agencies, a subject that first comes to mind when speaking about institutional reforms in Central and Eastern Europe.

The following table compares the structure and functions of the central administration in Romania (the former cabinet Isărescu and the current cabinet Nastase) with that of other nine European countries. Of these, six are ex-Communist countries currently candidates for EU accession and constantly ranked ahead of Romania by the EU monitorization process – they can thus be regarded as a source of best-practices – while the other three are EU members. Like Romania, all nine are unitary states with various degrees of devolution of powers to the sub-national levels of government, so the whole comparison is legitimate.

Of course, not all the differences in performance between European states are due to the structuring of their central administrations. Many specificities exist which are rooted in historical tradition or local institutional culture, and the uniformization was never on the EU agenda since these states are more or less functional anyway – compared with the scope and speed of the reforms under way in Central and Eastern Europe, the institutional changes in the member states take place at a rather geological pace. Moreover, not even in CEE can we see a single coherent blueprint for the management of reforms. There is no guarantee that if Romania adopted a certain prescribed framework of central administration, this would instantly solve all the problems and project the country into the EU.

Tab.1. The central government structure in Romania and 9 other EU candidate or member countries

Ministries		ROMANIA Nastase	ROMANIA Isărescu	HUNGARY	CZECH R.	BULGARIA	POLAND	ESTONIA	LITHUAN.	FINLAND	FRANCE	ITALY
a) Line	Finance	X	X	X	X ⁴	X	Xx ⁶	X	X	X		Xx ⁶
	Foreign aff.	X	X	X	X	X	X	X	X	X	Xx ⁸	X
	Defence	X	X	X	X	X	X	X	X	X	X	X
	Home aff.	X	X	X	X	X	X ⁷	X	X	X	X	X
	Justice	X	X	X	X	X	X	X	X	X	X	X
	Health	X	X	X	X	X	X		X	X		X
	Labour-welfare	X	X	X	X	X	X	X	X	X	X	Xx ¹¹
	Agriculture	X	X	X ¹	X	X	X ¹	X	X	X	X	X
	Industry-trade	X	X		X					X		X
	Environment	X	X	X	X	X	X	X	X	X	X	X
	Culture	X	X	X	X	X	X	X	X		X	X
	Education-science	Xx	X	X	X	X	X	X	X	X	Xx ⁹	Xx ⁹
	Youth-sport	X	X								X	
	Transportations	X	X	X	X	X	X	X	X	X	X	X
	Public works		X									X
	Communications/IT	X					X					X
	Small-medium enterpr.	X										
	Tourism	X										X
	Minorities		X					X				X ¹²
b) Coordinat.	PM	X	X	X	X	X	X	X	X	X	X	X
	Chancellery	X	X	Xx ²	X	X						
	<i>Economy - Developm</i>		X	X		X	X	X	X		X ¹⁰	
	Privatization	X										
	EU accession, negotiat.	Xx										X ¹³
	Development, forecast	X										
	Local/reg. developm.			X ³	X	X		X				X
	<i>Administrativ</i>											
	‘Public Function’ (Administration)	X	X								X	X
	Institutional reforms											X
	Relat. with Parliament	X			X ⁵						X	X
	Speaker	X										
No. portfolios		27	20	17	17	16	16	15	14	13	17	26

1 Agriculture and rural development

2 National security

3 Coordinates Phare programs

4 Finance and economic policy

5 Legislation

6 State treasury separate from Finance

7 Home affairs and administration

8 EU affairs

9 Research as a separate portfolio

10 Super-ministry of economy, finance and industry

11 Social solidarity

12 Equal chances

13 EU policies

However, the design of government matters. A well structured central administration may or may not produce good outputs, depending on other factors like the quality of leadership, the expertise available, motivation, resources. But a poorly structured central administration is sure to yield poor results, becoming itself a source of confusion and institutional noise. In such an environment it is more likely to have unclear assignment of responsibilities, overlapping, rivalries and captive agencies.

Two opposing tendencies are obvious when we analyze the structure of central administrations in the EU candidate countries. On the one hand, the necessity to manage the thousand details of institutional alignment – in other words, to deal with the so-called *orthodox paradox*, i.e. the situation when the state has to reform itself fundamentally while still performing its everyday functions, which looks very much like an attempt to rebuild the ship piece by piece while sailing in high seas – and the obligation to continue to provide public goods and alleviate the social pains of transition, lead to the expansion and diversification of the public sector. On the other hand, the budgetary constraints and manageability considerations require a drastic limitation of the scope of government. Finding the right equilibrium between these opposing tendencies is a matter of applied policy rather than a theoretical issue.

In spite of the differences between these societies, there are nevertheless some basic characteristics that define the whole region: the same socio-political system until a decade ago, the same direction of movement today, the same kind of social and administrative problems that the public sector faces. Even the basic constitutional arrangements differ surprisingly little in Central and Eastern Europe today: all countries have typically coalition governments with collective cabinet responsibility, a legislature which is not very strong and transformative (unlike the US Congress), being dominated by the executive, and carefully balanced President-Prime Minister systems that avoid the extreme cases of American-style presidentialism or British-style domination of the PM. The Polish president, for example, arguably the strongest in CEE, has less power than his French counterpart, while the Hungarian or the Czech presidents, even though elected by the parliaments, are more than symbolic figures when it comes to policy, unlike the German or Italian ones. Thus, by design or by default, the CEE political systems tend to cluster towards the middle of the scale, which has pure presidentialism at one end and parliamentarism at the other.

In order to analyze the structure of governments in the ten countries we employ a twofold categorization of their components that is common in the theory of public administration: *line* and *staff* agencies. Central ministries are always a bit of both, of course, but depending on their main functional purpose one or the other character tends to predominate. So that we can distinguish:

- Line ministries – they manage a certain segment of the public sector defined functionally and usually provide certain identifiable public goods
- Coordination ministries – they supervise the inter-sectoral governmental action, manage cross-departmental programs and perform other functions that

cannot be specified in terms of public goods provision, like generating forecasts and strategic plans. In this category we can distinguish:

- (b1) Prime Minister's office, with or without an additional ministry of the Chancellery attached
- (b2) Ministries of economy and development
- (b3) Ministries of administrative coordination

It becomes now apparent, following data in Tab. 1, that Romania's institutional problem has several related aspects: a high overall number of ministries; a high level of instability of agencies, especially those in charge with coordination; and, as a result of the institutional proliferation, a certain degree of overlapping and ambiguity in the coordination structures.

The fragmentation of central government

The data presented in the table show a marked separation of countries into two groups:

1. *Romania and Italy*, where the number of portfolios is around 25 (the small size of Isărescu cabinet was the exception rather than the rule in Romania)
2. All the other countries, with 17 ministries at most, the PM included. For the other candidate countries the average is 15.8 portfolios. In other words, a regular post-Communist government (and functional, as we see from the good performance of these countries in the accession process) is 40% smaller than Romania's.

There is an obvious trade-off between the size and the operational effectiveness of cabinets. When governments grow too large and fragmented to make truly collective decisions on specific agenda items, as they are supposed to do, the whole process of decision-making becomes slower, less transparent and more likely to be captured by sectoral vested interests. Not only continental democracies¹, but also the Anglo-Saxon countries have recognized these difficulties lately and reduced substantially the size of their cabinets in a move to make them more effective and strategically driven (Australia in 1987, Canada in 1993)². When they joined the democratic world at the beginning of the last decade, most of the CEE countries adopted this conservative view in respect to cabinet structures and set up fewer and larger umbrella central departments that can integrate many issues before bringing them on the cabinet's agenda. This structure

¹ Blondel, J., and F. Muller Rommell, 1997. *Cabinets in Western Europe*. St. Martin's Press, NY.

² Campbell, C., and J. Halligan, 1992. *Leadership in the Age of Constraint: The Australian Experience*. Allen&Unwin, Sidney.

Campbell, C., 2000. 'Democratic Accountability and Models of Governance: Purchaser/Provider, Owner/Trustee'. In R. Chapman (ed) *Ethics in Public Service for the New Millenium*. Aldershot, UK.

has also the advantage of cutting down on the overhead costs associated with corporate services in multiple ministries.

On the contrary, Romania went on with an expanded Soviet-style arrangement that tends to preserve the status quo, where narrow issues are assigned to a series of central agencies expected to execute diligently pre-defined budgetary items and effectiveness is measured in terms of inputs. Reallocations are difficult to operate, both because of the opposition of administrative staff and the lack of information about actual performance, while the policy agenda is strongly influenced by the pressures to continue existing programs. Cutting down bureaucracy is always the talk of the day, but very few public institutions are ever reformed or rationalized. Most often across-the-board reductions are implemented³ – even though this is the poorest remedy in a fragmented and unstable institutional structure because it does not discriminate between useful and useless agencies – just to be gradually reversed in the following period.

Among the EU countries Italy comes closer to this description. The high number of portfolios in the two countries cannot be entirely explained by the particularities of their party systems, which are very fragmented and produce short-lived coalition governments with numerous partners who enter the power-sharing game (although this may be a reason, of course). Finland, Hungary, or the Baltic states are also ruled by coalitions and have fragmented parliaments, without the executive becoming unstable. The explanation is more profound, having to do with the characteristics of the political class, historical tradition and incentives built into the politico-administrative system. Of course, the situation is far worse in Romania, where a flawed institutional design is combined with the inheritance of the communist regime⁴. The Romanian political parties are made of small coteries of people with little or no idea what the task of ruling a country means. The governing is most often done, more or less routinely, by an uneasy combination of old-time Communist bureaucrats, the only ones who possess the group discipline and determination to accomplish anything, and foreign donors. The Romanian communist regime was much closer and repressive than its Central European counterparts, and thus did not allow the emergence of an alternative elite, or even a decent category of technocrats who can understand and manage policy reforms. What is more, the post-communist politics did not manage to discredit and exclude important political and economic actors linked with the

Romania has one of the largest and most functionally unstable cabinets in Europe. It has 40% more portfolios than the average CEE cabinets.

³ The last right after the Nastase cabinet took office; the initial call was for a 30% reduction in staff, but our estimates for the actual figure in central government by March 2001 revolve around 7-10% at the highest – see Ghinea C., 2001. *The Reform of the Civil Service in Romania*. Crisis Paper series, no. 2, Romanian Academic Society (SAR), Bucharest.

⁴ “Sultanistic communism” as Juan Linz aptly characterized the Ceausescu unique blend of inept Soviet-style bureaucracy and Balkan-style nationalism, arbitrariness and clannish behavior (Linz, J., 1990. “Democratic Transitions”, *Washington Quarterly*, summer).

previous regime. The researchers of transitions consider this factor a strong predictor for slow and muddled reforms⁵.

Entrenched bureaucracies have learned from experience that they can always prevail in the long run by paying lip service to reforms while resisting them tacitly. They do not like coherent strategies, transparent regulations and written laws, but status quo and daily instructions received directly from above. This was how the communist regime worked and, as many scholars noted, after it collapsed the old chain of command fell apart but the deep contempt for law and transparent action remained a constant of the daily life⁶. This institutional culture is self-perpetuating, both in the professional civil service and the political class. The change of generations is not going to alter the rules of the game as long as the recruitment and socialization follow the same old pattern: graduates from universities with low standards⁷ are hired through clientelistic mechanisms; performance on the job is not measured; tenure and promotion are gained exclusively through internal power struggles. The average minister today focuses less on getting things done and more on developing supportive networks, because having collaborators one can trust with absolute loyalty is the obsession of all Romanian politicians and the reason why they avoid formal institutional cooperation or independent expertise. In other words, policymaking is reduced to nothing more than politics by other means. And when politics is extremely personalistic and fragmented, turf war becomes the rule all across the public sector.

Fluidity of structures

Not only that Romania has many ministries and agencies, but they appear, disappear or change their attributions and subordination very often. The immediate consequence is that the institutional memory of these agencies is lost and we see little continuity in terms of programs, staff and documents that might lead in the long term to an improvement in performance. The best example here is the central economic coordination (more about it below). In the last six or seven years we have assisted to a whole game of musical chairs: the ministries of Privatization, Reform, Economy, Development and Forecast were set up, dismantled and then revived at such a pace that their employees did not have the time to realize what they were actually supposed to do. The reasons of this generalized institutional muddle are manifold. At a very basic level, there is obviously a lack of vision about the role the state should play in the process of reform. Second, defining priorities has always been a problem – when everything is a top priority that needs to be addressed on the spot, this means there are no genuine priorities and

⁵ Nelson, J., 1995. 'Linkages Between Politics and Economics', in Diamond and Plattner (eds) *Economic Reform and Democracy*, Johns Hopkins University Press, Baltimore.

⁶ Anders Åslund, 1995. 'The Case for Radical Reform', in Diamond and Plattner (eds) *Economic Reform and Democracy*, Johns Hopkins University Press, Baltimore.

⁷ This is a problem still underestimated by the Western donors and analysts who are more familiar with the situation in Latin America or India, where, in spite of the social problems and high inequality, a well-educated elite exists with polished manners and managerial skills perfectly up to the Western standards.

strategies, only momentary reactions to events and constraints which are exogenous to the act of governing.

But there is also a more down-to-earth explanation for this instability. When the winners of the 2000 elections began to restructure all the ministries and agencies, some changes were made just in order to get rid of civil servants who had become irremovable under the law passed in 1999. This law was part of the EU conditionality when Romania was invited to start the negotiation process at the Helsinki summit in late 1999. Its purpose was to insulate the public officials from political pressure and institute a civil service with a European-style discipline, professionalism and *esprit de corps*. It is debatable whether this was a realistic or even desirable goal, given the current situation in the public administration. Maybe a better idea would have been to adopt a more liberal model where the politicization of the top civil service is openly recognized as inevitable, and thus officialize and regulate by law a practice which is anyway well-entrenched and tacitly accepted in Romania. But once a law was adopted, the governments were expected to be at least more careful in dealing with the civil service. Instead, the 2001 institutional reshuffle constituted a gross violation of the spirit of the law: by simply changing their names the new administration has “reorganized” many institutions and thus purged the public sector of those unwanted civil servants who were hired under the previous administration by passing an exam.

There is a certain taste for ambiguity in Romania which goes beyond the way laws are interpreted and enforced. The institutional structure is also relatively tolerant of uncertainties and overlaps, which reflects the incapacity of the political process to reach clear decisions, especially when certain programs must be terminated. One can find arrangements in which second-tier institutions established in various political eras or shaped after the prescriptions of various donors come together in a complex and unworkable whole (see for example the saga of the Regional Development Agencies or EU Sapard program, discussed below). The administration is made up of layers of organizations that emerge, gradually exfoliate and fall into irrelevance together their political sponsors, but for some reason still hang around even when their attributions were reassigned to other structures.

Civil service issues

In such an unstable environment, the life of civil servants is tough and resembles very little the one of their Western counterparts. The combined action of uncertainty and low payment – insufficient for sustaining a decent level of life even at modest Romanian standards – creates a civil service who is not only less professional than the one in developed countries, but also much more heterogeneous. The majority of its members are old petty apparatchiks or new dropouts from the private sector. Frustrated by their low income but unsure enough of their own skills to cling to their existing jobs, they dully execute daily routines, play the bureaucratic power-games and yield to any sort of political pressure coming from above. They pursue a chameleonic strategy: placate the political

masters and try to extract whatever petty informal advantages they can from their position.

On the other hand, a fireball strategy is pursued by a small number of people, especially at higher echelons, who regard a stage in the civil service as an investment in their professional CV, political career, or a step towards a more lucrative job in the private sector or with a foreign organization; or, sometimes, they may be driven by a less virtuous motivation. Some of them may even be educated in the West and thus constitute nuclei of competence in their immediate environment, but their tenure tend to be short and there is no long-term impact on the overall performance of the institutions. These are the persons whom the typical Western donor meet and talk to, and hence the widespread impression that the situation in the public sector is better than it really is. There may be differences in the level of professionalization and stability between institutions, of course. It has been noted before that the central banks and finance ministries in developing countries, for example, are the first to develop “linkage elites” who speak the conceptual language of their Western colleagues (Nelson, 1995). However, their numbers are yet too small to alter the overall picture of the civil service: a mass of disgruntled and ineffective staff punctured with small and transient groups who understand and try to push the reforms forward.

Actually, there is no civil service as such in Romania. There are only individuals with various degrees of political involvement, holding public office under some formal conditions of service, sporadically applied, whose social status is that they occupy specific posts in ministries, agencies or local governments. There is no unified structure to run this army of people and no integrity to its body, and even its territorial limits are fuzzy. Many government institutions and agencies employ public-interest arguments in order to create special rules applicable only to their situation, or manage to get tacitly accepted practices that deviate from the general norm. Job descriptions are unclear, performance on the job is not measured in order to be rewarded – and the very concept of performance measurement is still strange to top public managers. Again, loyalty to the boss and the institution is the only thing that pays-off. Overstaffing may coexist with understaffing, often within the same institution, but it is hard to identify objectively from outside what the situation is and force changes in the right direction. There are no reliable estimates available of the costs of this “civil service” to society, hiring and firing practices, salary rules and levels. A simple question like “how much does X earn per year” is difficult to answer, and even perceived as improper or slightly offensive, since every agency devised its own arrangement of bonuses and off-the-book compensations that would rather not discuss in public. As a result, it is impossible to develop a system to manage the “civil service” more predictably, or introduce modern motivational elements such as career schemes and training-related promotions. Ultimately, the idea of political independence of administration is still alien in the Romanian context, where the assumption is that parties winning elections will apportion all things public among themselves and run the show by

Civil service is parochial, politicized, hard to assess in terms of performance, and unruly. These flaws become more visible when dealing with the 2nd generation reforms

direct order. Though hard to measure, there is strong anecdotal evidence that the policy performance of this system is very low.

Some things can be accomplished especially in the first stages of reform, with measures requiring technical capacity of design, but little administrative capacity of implementation, and thus likely to be promoted quickly by a small circle of senior officials with political support (early price and trade liberalization, dismantlement of old regulatory mechanisms, tax reforms, pension reforms)⁸. But as post-communist reforms enters the second stage, where more complex public systems involving many stakeholders should be changed, the coherence and professionalism of bureaucracy becomes a crucial factor. In Romania, while the reforms of type one were more or less successfully pressed upon bureaucracies by the linkage elites and political leaders, the attempts to implement reforms of type two led to bureaucratic sabotage and open backlashes against the initiators. Moreover, when arbitrary and politically-driven purges of the civil service occur, like the one mentioned before, the people who make up the small pockets of expertise are the first to disappear from the public institutions – either because they were the most visibly associated with the political sponsors of reforms or because they are the most professionally mobile anyway.

Proliferation of line ministries

Romania has copied, maybe on purpose, maybe out of cultural affinity, the rich and expanded structure of line ministries that we see in other Latin states like France or Italy⁹, with bizarre and useless portfolios like Youth and Sport, Scientific Research and Tourism. If PSD, the current ruling party, will have at some point to make a coalition with a partner more significant than the tiny PUR (junior partner in government) it is quite possible that new ministries will appear, like the Italian-style Equal Chances. Pointing out exactly what public programs have managed in the last ten years the ministries mentioned above and in what way has the community actually benefited from their existence is quite a challenge. Usually they proclaim vague objectives like “the advancement of youth”, “investments for tomorrow”, “the promotion of tourism” – but we have yet to see how these can be operationalized and put into practice. Some money were indeed distributed to athletes and researchers, but the amounts were small anyway. A number of evaluation boards convening periodically would do the same job at much lower administrative cost, replacing the full-time bureaucracy of the sports and state-sponsored research establishments, engaged in constant efforts to justify its existence.

The fundamental problem is one of vision: if something is considered important and positive for development (tourism, small and medium enterprises, IT) a ministry is quickly set up to take care of the thing. No serious analysis is done (1)

⁸ Nelson, J., *Op. cit.*

⁹ But not the one from Spain which, with only 15 ministries, is closer to the rational structure of North and Central Europe, as we see from the table. It turns out that cultural affinities are to some extent selective, after all.

to see if the state can indeed intervene in that sector with positive results by creating a special agency; and (2) if it can, to see if there are already other mechanisms for intervention in place, and thus avoid the institutional duplication. Sometimes the answer to (1) is no, and the things should stop here. There is nothing in the way of public goods in what the Ministry of Youth and Sports does. Its continuation is a combined effect of institutional inertia and vested interests. Rich states like France or Italy can afford such harmless distractions; the post-Communist ones, facing hard constraints in resource allocation, cannot.

The situation is similar in the IT sector. Promotion of IT was emphasized as a government priority just in order to reshape the Agency for Communications and transform it (back) into a ministry. Though in its third year of existence, it is still not clear what exactly was this new ministry supposed to do, when the few programs that can be conceived are already assigned to other line ministries: the connection of schools to Internet is managed by Education (with support from the World Bank), the informatization of the health care system is coordinated by the Health ministry and the regional insurance agencies, the reform of tax collection by Finance and the local governments, etc. For some reason and in spite of a long experience of failures, the ruling party still believes that a ministry is able to help the private sector – companies, providers, banks – to adopt the new technologies, make sound investments and enter new markets when they exist. The IT companies do not harbor such illusions, but will always be happy to have one of their own people in the cabinet meetings, someone to call and ask for tax exemptions. And usually the ministry delivers: the first act originating in this ministry after taking office was a personal income tax break for experts working in IT companies, a very controversial piece legislating implicit social transfers from the general population to young, urban, professionally mobile and relatively rich citizens. We have good examples of new industries that have thrived in Romania in the last years without any public interference (or, maybe, precisely because of that): mobile telephony, cable TV, Internet providers. If anything, the Internet-related industry is held back by the antiquated infrastructure, a problem aggravated not by the market forces but by the poorly designed and half-hearted privatization of the national telephony monopoly. After passing the tax break the new minister, an energetic and otherwise well-meaning person, is having a hard time making himself useful. He drafted a law of electronic signature that many experts in the industry consider premature, given the current underdevelopment of the e-commerce in Romania and the quick changes occurring at the global level. And in the time left he meddled in the privatization process, just enough to mess up the scheduled sell of a state monopoly radio network. This kind of hyperactivism with high-tech undertones, attempting to produce big strategic designs for the “informational society”, suspiciously resembles the “techno-scientific revolution” brandished upon us by the Communist Party in the ‘80s¹⁰.

There is no sense that line ministries are justified only if they deliver an identifiable public good.

¹⁰ All the more so since there is definitely a continuity in terms of people: some close associates of President Iliescu were prominent promoters of the Sci-Fi propaganda during the Communist regime.

Even when a decision is made to pursue interventionist policies, for example by stimulating investment in IT or encouraging small and medium enterprises (some are for, some against such measures, but this is another discussion), this is usually accomplished through fiscal instruments or interventions on the labor market, i.e. measures perfectly applicable within the existing framework. Again, it is not clear what is the purpose of setting up ministries like the one for Small and Medium Enterprises, and what is its staff going to do in the daily hours of office. Like any government organization with no precise and measurable goals, the chances are that it will become a public structure captive to some pressure groups, a lobby agency paid from the budget and with a toe in government¹¹.

There is no doubt that some regulatory functions must be performed by the state in a well-functioning market economy. They are usually assigned to small and non-political agencies, with stable and specialized staff and, since what they do is mostly routine job, no high-profile politician at the top. The Agency for Communication establishes technical standards and organizes auctions for the allocation of bandwidth when the need arises. The Office of Tourism promotes on contractual basis cities, regions or programs operated by private companies. And the Competition Supervisory Board oversees the business environment in all industries according to some principles which are few, transparent and generally applicable, whether the economic actors concerned are public companies or private firms, big, medium sized or small. It is very unlikely that the tourism sector or SMEs will be better off in Romania than in Hungary, Czech Republic or Poland just because there are now some ministries in Bucharest to look after them.

Dispersion of responsibilities in coordination

The things look even worse if we analyze the coordination ministries, where the proliferation of institutions and instability are the norm and the apportionment of responsibilities depends heavily on the person who occupies the top office at a particular moment. By contrast, the cabinets in the other CEE countries tend to be characterized by:

- A strong PM with stable political base in the legislative and functions of inter-agency coordination which are defined more formally. In countries like Hungary, where the President has practically no executive attributions, the PM's office has a minister-delegate for national security attached.
- A clear assignment of responsibilities in matters of economic policy, whether the PM or a super-ministry of the Economy is in charge. Usually this arrangement makes the Ministry of Industry and Trade redundant. When MIT exists, however, like in the Czech Republic or Finland, there are no other parallel structures to dilute its responsibilities and certain continuity in terms of institutions and policies is assured.

¹¹ That this ministry was assigned to a minuscule party which is just a façade for a controversial domestic business group, makes this hypothesis even more plausible.

- No other special institutions for coordination and administrative reform, other than the PM's office and the Chancellery. Separate Ministries of Public Function, Institutional Reform or even Relations with the Parliament are unheard of. These too are Franco-Italian specialties adopted in Romania in spite of their questionable usefulness – even in their countries of origin it is hard to see what difference they have made since their inception more than a decade ago.

Bureaucratic expansion and fluidity in the area of economic co-ordination, though not the only sources of problems, contributed substantially to the delay of economic reforms in the last ten years. As mentioned before, we have seen a merry-go-round of agencies of Privatization, Development, ministries of Reform, Privatization, Industry and Trade (with or without Trade, recently transferred to the Foreign Affairs), Economic coordination, all of them more or less at odds with the premiers, the Finance Ministry and the State Ownership Fund (the quasi-ministry responsible for privatization). The former center-right government of Isărescu reduced the attributions and staff of SOF only days before it stepped down and charged the National Agency for Regional Development (ANDR) with overseeing the post-privatization process in territory. The current government quickly reversed the decision: it brought post-privatization back to SOF, raised this body to ministry status, and instead incorporated ANDR into a brand-new Ministry of Development and Forecast. MDF is a complete novelty in post-Communist Romania, it is likely to be scrapped soon, yet nobody knows yet what exactly was it supposed to be: the former Minister of Economy (now dismantled)? the former State Committee for Planning (CSP) of the Communist times? or just a government think tank?

The transformation of State Ownership Fund into a ministry is not necessarily a bad thing, making the privatization process more clearly a government responsibility. But this also signals the failure of privatization policy as the previous PSD government in 1992-95 initially designed it. Any pretension that the process of privatization has finality is now abandoned and the discussion going on in the last year and a half, that there should be a firm deadline for selling the state industrial property and dismantling the State Ownership Fund, is suspended. The new ministry will probably have a long and happy life administering the post-privatization policy, a task even trickier and more difficult to measure than privatization itself. Moreover, since its head is now a powerful minister among his peers, he will probably use his leverage in order to slow down privatization, keep as many companies as possible in his portfolio and, since PSD is a leftist post-Communist party reluctant to sell assets quickly to foreign big investors, try to do 'restructuring before privatization'¹². Which means even more delays, soft lending

The coordinating ministries are the most bloated, fluid and hard to coordinate part of the central government.

¹² A policy very much like the one pursued in the Czech Republic by the leftist minister of industry, Miroslav Gregr. No sooner had the new minister been appointed than he got involved in a row with the mayor of Bucharest, trying to press him into buying Romanian-made buses which are expensive and unreliable. He also started to advocate dubious schemes of state-subsidized acquisition of trucks and agricultural equipment produced by two bankrupt companies based in Braşov.

through state-owned banks and distribution of favors to well connected industrial groups. On top of these problems, there were new rounds of clashes between the ministries of Industry, Finance, Development and Forecasts and the Regional Developments Agencies (ADR, who supervise the investments in the special enterprise zones in their regions).

When things were managed reasonably well, this happened in spite of the formal government structures rather than because of them. During the previous center-right Isărescu mandate the economic policy was firmly controlled by the premier and its circle of advisers, usually young and Western-educated economists. The Ministry of Economy was a ghost structure set up to placate the senior Christian Democrats, the main force of the coalition at that moment, when their party lost the office of prime-minister. The minister was very pleased with his formal position of vice-premier and did not intervene in either strategy-making or daily management. Such an arrangement cannot be stable in the long run, however, especially when the new premier has no experience in economic management. If the minister of Finance is entrusted with more power to coordinate policy, as it seems to be the case now, there are periodical rebellions of the other ministers who would not accept to be bossed around by one of their colleagues to whom they have no formal subordination. Unfortunately, Romania has ignored the French model exactly when it could have offered an example of best-practice: a single umbrella structure of economic management with precise assignment of responsibilities, partly reproduced in some other countries as well. These large conglomerate ministries can advance integration of policies in-house before taking the matters to the cabinet, and therefore decrease the influence of sectoral pressure groups and produce more coherent, strategy-oriented blueprints, which is exactly what the economic policy-making in Romania badly needs.

Equally unclear is the situation of the development programs and European integration coordination – two domains closely related in the CEE states. Save for Slovakia, we are the only country with a special portfolio for Integration; but we also have a chief-negotiator who is also a minister. The chapters of the accession are negotiated by technical teams of experts coordinated by the chief negotiator, who had existed before and reported directly to the PM. One wonders what is the point in setting up a whole ministry interposed between the negotiating teams and the PM's office, with the chief negotiator left in an uncertain position.

A decision-making process that does not make decisions

And after all, if the Prime Minister does not co-ordinate the economic policy, nor the European integration or the institutional reforms (as we shall see below), what is the Romanian premier actually do, since the daily routine of the cabinet is taken care of by a Chancellery (General Secretariat) which is itself a ministry, apart from the PM's office? The experience of the other CEE states show that the job can be done with much less line ministries and co-ordination offices, and with better results. After the institutional proliferation reaches a certain critical level, it looks like a meta-coordination body is necessary in order to coordinate the co-ordination process – and maybe this can be an answer to the question raised here about the

role of the premier. Sadly, the setting up of new institutions is regarded in Romania with a very liberal enthusiasm, and its negative impact on stability and organizational memory is overlooked. Tellingly, the current premier has justified the decision to establish a new Ministry of Integration as “a sign for a strategic direction of action” of utmost importance for Romania today. Nobody disputes that the direction is correct, but there can be cheaper ways to signal it and achieve the desired effect.

In fact, although this government is perceived from abroad as more coherent and competent than the previous ones, this image has little support in reality. No substantial reforms were initiated in the last 2½ years, and nothing in the way the cabinet functions has changed for the better, though in principle the task should be easier now with a one-party government. The top actors, primarily the Prime Minister and the Secretary General of the cabinet, have failed to reform the protracted decision-making process, which is actually hard to call a “process” at all. Usually the choice in crucial policy areas is not made, but “happens” as a result of conflicting pressures from various agencies and lobby groups. Explicit strategies are missing, key options, broad policy principles and trade-offs are never discussed, and there are two explanations for this. First, they are not understood, since the ministries or the cabinet in its entirety do not have functioning policy-analysis units, and distrust any advice from the independent experts (who are in short supply anyway). Second, there is no time to analyze and understand anything, the cabinet being constantly ambushed by bureaucratic entrepreneurs with hundreds of drafts of laws, decisions, norms dealing with narrow or trivial issues. There is no real delegation of authority at the lower level, and no competent upper-level bureaucracy able to process, integrate information, and present broad policy options to decision-makers. As a result there is no functioning information filter between lower and upper levels, and the decision becomes unpredictable, crisis-driven and many times irrelevant. Recent innovations, such as the weekly videoconference of the cabinet with county prefects and local government representatives, may be promoting some sense of openness and responsiveness in the system. But on the other hand it only aggravates these shortcomings by increasing the ad-hoc nature of governance.

Ministries and central agencies do not cooperate or exchange information significantly, so cross-sectoral issues cannot be identified and dealt with. There are no *policy documents* circulated and discussed within the government, and largely no sense that there should be such a process. There is no policy unit at the central level that may help the cabinet produce and follow a coherent agenda. The formal requirement of inter-ministerial consultation apply to legal drafts only – which many times are poorly written, unclear about objective and means, and keep changing at source while they are being discussed in other institutions. The lack of policy documents, white books and other consultation papers written in plain language, publicized and discussed broadly was often singled out as one of the most

There are no strategic decisions and policy documents, just draft laws floating around. The cabinet is poorly organized, overburdened with trivial issues, incapable to analyze and enforce policies. Key decisions are not made, but “happen” by default.

important, yet overlooked, governance flaws in Romania¹³. They should form the basis of strategic decision-making, while laws are just subsequent instruments to implement these decisions, once they are made. Instead, what happens is that ill-considered laws originating in various ministries avoid hard policy choices through loopholes, omissions, vague legal language. When the law gets passed, the key policy issues are either decided in a haste, sometimes implicitly, in the secondary legislation (norms of implementation), in a process which is purely bureaucratic and unaccountable; or resurface in the process of implementation, so that everybody gets puzzled, agencies begin to apply the law discretionary, and the government rushes to pass another law (overnight, through emergency ordinance) to deal the aspects in question, which introduces additional fuzzy provisions – and so the treadmill goes on. In such an environment, reforms like the introduction of impact analysis of laws and regulations, or institutionalizing a feed-back system in the decision-making process, which have also been on the reform agenda in the last years and stressed by the donor community, appear completely unrealistic.

For a better co-ordination with the legislative, the executive re-established the Ministry for the Relation with the Parliament, another Franco-Italian institutional borrowing adopted only by the Czech Republic and Slovakia. But it has also created special positions of secretary of state in all the line and economic ministries, with the specific task of representing the agencies in Parliament and improving the communication between the executive and legislative. Since the ministry of the Chancellery is already charged with the daily operations of the cabinet and the circulation of documents between the branches of the government, the managing structure resulted from this innovations is a complex 3-D matrix that poses co-ordination problems even in organizations that have vast resources and experience, like the World Bank.

And, as it happens when institutions proliferate and overlap uncontrollably, there are crucial tasks that fall in-between and create permanent problems. This is the case with the regional development policies, whether they are financed from the budget, through World Bank loans or, as it is increasingly the case, through various grants and transfers from the European Union. The management of development programs has never been assigned clearly to a specific agency, and hence fierce battles occur between ministries whenever a new program appears. In 1996 a network of 8 Regional Development Agencies (ADR) was set up, with each ADR based in one of the 8 regions of development¹⁴ defined by the government, plus a National Agency of Regional Development (ANDR) that was supposed to function as the hub of the network. The whole structure had the mission to consolidate itself and gradually train its staff so that it can manage the big programs EU usually implements in the candidate countries. After five years of running in with smaller components of the EU assistance, when the first sizable chunk of financing finally arrived in 1999 – the seven-year Sapard program of rural development – the whole structure was entirely by-passed by the very same central government that had set it up. The Ministries of Finance, Foreign Affairs

¹³ *Romania: Policy-Making and Co-ordination Assessment*. Sigma program, 2002.

¹⁴ EU-type, NUTS2 regions.

and Agriculture tried to outmaneuver each other and take over the management of Sapard, and at no point was there any chance that ANDR could be involved. Agriculture won eventually, in spite of the fact that it had failed spectacularly with SPP, a pilot program one hundred times smaller than Sapard it had run through its territorial branches in 1998-99. The Ministry of Agriculture is one of the biggest and the most unreformed bureaucracies in Romania today, with antiquated procedures based on executing detailed budgetary items, aging staff and an institutional culture reminding of the Soviet bureaucracy in the Brejnev era. The local level cronyism and its image as a backwater tend to drive away the few talents that may happen to be in its apparatus. Under these circumstances, entrusting it with the management of a multi-year program requiring territorial delegation of responsibilities, flexibility, program budgeting and the assessment of proposals coming from private agents is a wild bet¹⁵.

Finally, the institutional reform itself was subject to continuous transformation. The former Department for Local Administration, a government sub-unit with clear attributions and enough reform on its hands to deal with, was expanded so as to perform some new functions that are hard to define and lead to outcomes that are difficult to measure. The new Ministry of Public Function (renamed Ministry of Public Administration, MPA) should be, according to the Franco-Italian model, a human resource management unit for the whole central public administration, while continuing to fulfill its old duties of overseeing the decentralization process, local governments reform and coordinating the activity of the county *prefects* (the central government representatives in territory). After almost three years of activity the two components of MPA have yet to be integrated into a single coherent structure, and it is hard to see a real basis for such integration. Moreover, the functioning of its Public Function component is sometimes sabotaged by the other central institutions. As said before, the new ministers appointed in December 2000 changed the charts of their departments in order to claim they are handling new units and get rid of the civil servants protected by the EU-type 1999 law. According to its provisions the MPA should be notified of all severances and try to find work for the civil servants before giving up on them entirely. This did not happen. The Agency for Public Servants, part of MPA, complained that most ministries did not even bother to let it now what changes they operated in charts and personnel among the almost 30,000 civil servants of the central administration. It may well be that all these institutional adjustments are not motivated by the desire to make them functional, but simply to accommodate political cronies. In January 2001 the 'Presidency of Romania' was turned into 'The Presidential Administration'. Merely changing the name allowed the severing of tenths of public servants who should have been protected.

Romania's EU accession may derail due to poor governance. Without local policy capacity, the *acquis* may become just another legal Potemkin structure.

The permanent drive towards expansion and reshuffles can therefore be explained at least in part by the desire of the new government to fire civil servants in order to

¹⁵ In an uncharacteristic burst, even the minister of Agriculture lost his temper once and declared that there is nobody in the whole ministry who is able to write or manage programs.

make room for its own clients. These replacements are subject to underground negotiations currently going on between PSD and the opposition parties, who try to protect their people in office. The external donors operating in Romania are also concerned about the fate of the officials they invested in through various training and assistance programs. Although perfectly legitimate, such concerns should not obscure the bigger picture. We believe that more important for Romania is now a rational overhaul of the whole public sector (of the 'state') which should consist in a redefinition of the main institutions in terms of concrete functions, based on the existing domestic and regional experience. Overlaps and camouflage jargon should be abandoned, whether it is the old, Soviet-style, or the new one emanating from Brussels. Before we look at who occupies what office, we should make sure that that particular office is really necessary, has enough resources to perform its duties and the tasks are clearly defined. And that a clear decision-making process is created allowing the cabinet to perform its strategic duties, assisted by policy-analysis units and a workable bureaucracy that translate decisions into procedures without changing their content. Eventually, is important to stop the heroic effort to create a new Romania through the rapid erection of Potemkin legal structures, some of them pertaining to the functioning of the government itself. And instead develop some domestic capacity to understand what is going on in society, and project sensible, EU-compatible, but locally generated policies.